

# Congress of the United States

Washington, DC 20515

April 12, 2005

James E. Gilleran, Director  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552

Dear Director Gilleran:

We are alarmed by your consistent actions over the past several months to weaken the Community Reinvestment Act (CRA) regulations that govern thrifts. These decisions are not only substantively damaging, but they violate the unity with which the four banking and thrift regulatory agencies had approached CRA regulation since passage of the Act in 1977. Your latest action on February 28, 2005, in which you announced that thrifts over \$1 billion in assets could meet their CRA obligations without regard to services for, or investments in, their communities undercuts the statutory purpose of the Act for institutions to meet the needs of low- and moderate-income persons and communities by OTS.

We are disappointed both by the substance of the rule and by the regulatory process by which it was adopted. Your final rule, adopted without an opportunity for any comment on its actual regulatory language, allows thrifts with assets above \$1 billion to, in effect, design their own CRA exams. Although lending must count for 50 percent of the overall grade, the other 50 percent can be any combination of lending, investment, and services that the thrift wants. The effect is to allow these large thrifts to eliminate both the service and investment components of their CRA obligations if they so want.

The OTS received approximately 4,200 comments on its proposal with about 4,000 of them from consumer and community organizations and representatives. Twenty-eight members of Congress, 45 Mayors, and 50 members of the New York state legislature opposed the proposal. No letters from elected officials supported the proposal. There were also a number of comments from financial institutions and financial institution organizations that opposed it.

Despite widespread concern about the general direction of the proposal, the final regulation was adopted without any opportunity for interested parties to comment on the regulatory language itself. In November, 2004, OTS had simply published a list of open-ended questions as part of a proposal to change the definition of community development activities to include all activities in rural areas. Ironically, OTS withdrew this portion of the proposal and instead published a significant final rule on which no one had an opportunity to review or comment on the actual regulatory language.

It would appear that this unseemly rush to finalize a broad regulation without providing any opportunity to comment on its specifics was a direct result of the OTS seeking to create an

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environment in which it holds itself out as the financial institution regulator of choice for those institutions which seek the weakest CRA standards. You announced this final regulation only six days after the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, joined three days later by the Federal Reserve, announced identical thoughtful CRA proposals that demonstrate a genuine interest in balancing the concerns of financial institutions and community groups. Rather than work collaboratively with your fellow regulators, each time they act in unison, you unilaterally act to weaken CRA regulations. You did it when you unilaterally raised the threshold for small thrifts to \$1 billion in assets, and you did it now by allowing large thrifts to disregard the service and investment needs of their communities. Your actions to weaken CRA cannot continue.

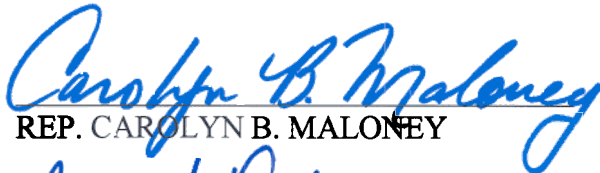
Sincerely,



REP. BARNEY FRANK



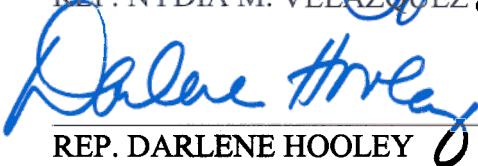
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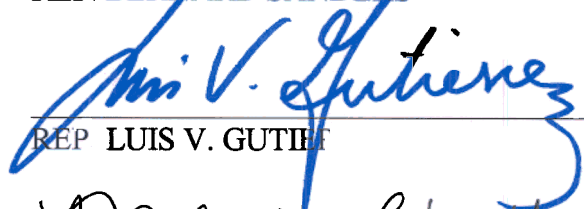
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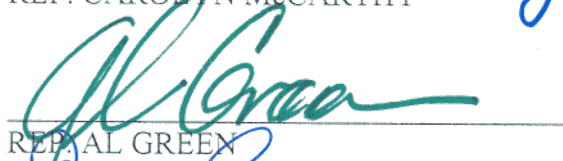


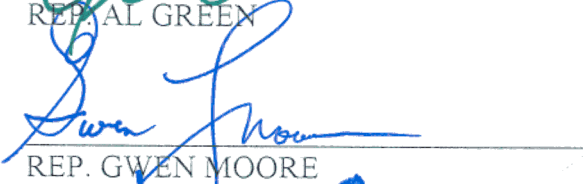
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